**NATIONAL ASSEMBLY**

**QUESTION FOR WRITTEN REPLY**

**QUESTION NUMBER: 2451 [NW2878E]**

**DATE OF PUBLICATION: 28 September 2022**

**Mr V Zungula (ATM) to ask the Minister of Finance: [Interdepartmentally transferred from Transport with effect Wednesday, 28 September 2022]**

1. Given that the fuel price per litre is R24,17, and that the State is absorbing some of the levies for an extended two months, what effective long-term plans are in place to ensure that citizens are not exposed to such high tariffs;
2. what assurance do we have that the levy system, especially for the embattled Road Accident Fund, is still effective;
3. what projects, in detail, have been funded by the levy system in place?

NW2878E

**REPLY**

1. In March 2022, government responded to the escalating fuel prices by implementing a package of short-term measures comprising temporary fuel levy relief, release of strategic stocks and structural adjustments to fuel prices to assist consumers and vulnerable households. A temporary reduction in the general fuel levy of R1.50 per litre was implemented from 6 April 2022 until 31 May 2022 to provide limited short-term relief to households from rising fuel prices following the Russia/Ukraine conflict. The revenue foregone of R6 billion will be recouped through the sale of a portion of the strategic crude oil reserves held by the Strategic Fuel Fund (SFF) and will not have an impact on the fiscal framework.

Government extended the temporary fuel levy relief for a two-month period consisting of a continuation of the relief of R1.50 per litre for the first month, from 1 June 2022 to 6 July 2022, and a reduction in the relief for the second month to 75c per litre of fuel from 7 July 2022 to 2 August 2022. This temporary relief was withdrawn from 3 August 2022 and the revenue foregone from the extension of the relief is estimated at R4 billion. Unlike the previous announcement, this is expected to have an impact on the fiscal framework as it will not be funded through a sale of strategic oil stocks. The extension of the fuel levy relief will be accommodated in the current fiscal framework in a manner that is consistent with the fiscal strategy outlined in the Budget and to be dealt with in the October 2022 MTBPS.

Government remains committed to the fiscal framework outlined in the 2022 Budget and any further relief should be done in a fiscally neutral manner or it would undermine government’s efforts at consolidation. Due to the tight fiscal position, there is limited space to fund additional tax relief.

As announced in May 2022, the Department of Mineral Resources and Energy (DMRE) has also taken further measures to help reduce fuel prices in a more sustainable manner. The DMRE removed the demand side management levy of 10c per litre applied to 95 unleaded petrol sold inland effective from 1 June 2022. After a review and consultation by the DMRE, it is proposed that the basic fuel price is also decreased by 3c per litre in the coming months.

Government intends to continue with consultations and proposals to remove the price cap on 93 ULP, which will partially deregulate the market and introduce more competition to lower pump prices. A review on the Regulatory Accounting System (which includes the retail margin, wholesale margin and secondary storage and distribution margins) will be completed by the DMRE to assess the potential to lower margins over the medium term.

Government continues to monitor the impact off the Russia/Ukraine conflict and zero-COVID policies in some countries, which continue to have an impact on energy and food prices and result in supply chain shocks, with the aim of investigating further measures to make households and businesses less vulnerable to such shocks.

1. Section 5(1)(a) of the Road Accident Fund Act (1996) stipulates that Road Accident Fund (RAF) is funded by means of Road Accident Fund levy, as contemplated Customs and Excise Act (1964). The funds collected, subject to any deductions in the Customs and Exercise Act, is a direct charge against the National Revenue Fund, for the credit of the RAF. With the levies earmarked in law, the revenue for the RAF is protected.
2. A general principle in public finances is earmarked funds for expenditure should be avoided, as it is inefficient and could be wasteful. Earmarked funds also limit budget flexibility in the delivery of priorities. It is only under exceptional circumstances that funds are earmarked and the general practice in South Africa is that all taxes revenues are deposited into the National Revenue Fund for general use.

Section 213(1) of the Constitution provides for a National Revenue Fund into which all revenue received by the national government must be paid, except money reasonably excluded by an Act of Parliament. Money is only withdrawn from the National Revenue Fund, in terms of Section 213(2) through an Act of Parliament.

With taxes and levies funding general budget programmes, in terms of Section 213 of the Constitution, it is impossible to list detailed projects funded through the general fuel levy for specific projects.